

من الأهل

Bush's Fourth of July Message Garbled in an All-White Town

By Mary Jordan
Washington Post Service

WASHINGTON — The president's plan to celebrate an old-fashioned Fourth of July in Faith, North Carolina, is not turning out to be the harmonious flag-waving event it was arranged to be. Faith, it turns out, is a town with no blacks and a history of poor race relations, including a Ku Klux Klan march last July.

Quayle, Set to Attack, Ends Up on Defense

LITTLE ROCK, Arkansas — Vice President Dan Quayle charged onto Governor Bill Clinton's home ground, primed for an assault on Mr. Clinton's latest economic growth plan. Instead, he scrambled through the day explaining new unemployment figures that shifted attention to the White House's economic stewardship.

Mr. Quayle acknowledged that the "disappointing news" that the unemployment rate in June had jumped to 7.8 percent had made him decide to "temper" the speech prepared for delivery to 2,000 Rotarians.

Instead of a flat-out attack on Mr. Clinton — what one aide called "our last big attack opportunity before the Democratic convention" — Mr. Quayle shifted to what he called "an offensive" to put the focus on the Democratic Congress to pass the Bush economic plan, much of which is not even in legislative form, and to blame high unemployment on the Democrats.

Keeping an Eye on Warheads

Democrats Now Want Verification of Russia's Stockpile

By Michael R. Gordon
New York Times Service

WASHINGTON — Reflecting a change in arms control priorities, the Senate Foreign Relations Committee has instructed the Bush administration to negotiate verification arrangements with Russia that would cover nuclear warheads.

The committee's move, which was proposed by Senator Joseph R. Biden Jr. of Delaware and supported by other Democratic members of the panel, represents a transformation of the arms control debate.

A Navy Day of Sensitivity Training

New Chief Tries to Trim Losses After Assault Scandal

By Eric Schmitt
New York Times Service

WASHINGTON — With the U.S. Navy reeling from a scandal involving the assault of 26 women at a convention of naval aviators last year, the acting navy secretary has proposed amending military law to outlaw sexual harassment and ordered all units to devote a day in the next two months for sensitivity training.

blatant racism, blatant bigotry and blatant intolerance."

The Bush campaign, which arranged the visit, said it was unaware that there had been a white-supremacy rally last year. "No, we were not aware of any Klan rally, nor do we condone Klan rallies," a Bush-Quayle campaign spokesman, Tony Mitchell, said. "That is not what this celebration is all about."

Mr. Mitchell said Mr. Bush had been invited to the event by Governor James G. Martin, a Republican. It is expected to attract as many as 70,000 people from well beyond the borders of Faith and "from all walks of life and all races."

Several "hate bollies" are advertised in the area; one was busy and another left a long greeting imploring "white men" to realize they are in "danger" and "need to stand up and do something about it."

The Fourth of July parade in Faith runs along the route that the Klan used last July. That march, along with nine other rallies, cross-burnings and other racially motivated incidents in surrounding Rowan County last year, ranked Rowan second among 100 counties in the state for "hate" incidents, according to the watchdog group.

Mayor Judy Hampton of Faith said the only reason the town allowed the KKK parade last year was because "they had to" in order to uphold the constitutional rights of the Klan members.

"The reason we don't have any," she said, when asked why there were no black residents, is "that nobody sells their property, except when they die, and then almost always to family members. There are blacks who live on the outskirts of town, she said, adding, "We have one three houses down."

According to the 1990 census, Rowan County is 16 percent black. In Faith itself, there was one African and 552 whites when the census was taken.

What happened at Tailhook was not just a problem with the integration of men and women in our ranks," said Mr. Howard, a former Marine officer in Vietnam. "It was just as much a problem with the toleration of Stone Age attitudes about warriors returning from the sea; about navy and Marine Corps people that think the rules of civility and common decency can be suspended."



AMERICAN ROOTLESSNESS — More than 2,700 Airstream trailers, one of the earliest American brands, at the 35th annual Wally Byam Caravan Club International rally in Fairborn, Ohio. Wally Byam designed and built the first Airstream trailer, whose aerodynamic form revolutionized the trailer world.

AMERICAN TOPICS

Harvard Law School Drops Dissident Black Professor

In the spring of 1990 Derrick Bell, Harvard law school's first tenured black professor, started an unpaid leave of absence. He said he would not return until "a woman of color" was granted tenure on the law school faculty. This week Robert C. Clark, the law school dean, said Mr. Bell had exceeded the university's two-year limit on leaves of absence and would be considered as having resigned, effective immediately.

Professor Bell, 61, a constitutional law scholar who has been at Harvard for 23 years, had asked for an extension of his leave of absence on grounds that he had left for "reasons of conscience." This was denied. A university spokesman noted that Henry A. Kissinger was denied an extension while serving as U.S. secretary of state.

Short Takes

Amounts of fluoride 40 times those considered safe were accidentally released into drinking water in the Alaskan town of Hooper Bay, poisoning at least 260 of the Bering Sea village's 950 people and killing a 41-year-old man, the state health department reported this week. The incident occurred in late May. Although fluoride is poisonous when undiluted, it lessens the risk of tooth decay when introduced into drinking water in the proper amounts.

"You may drive the cab with your stomach muscles to get to the airport on time, as my mother used to say," writes Betsy Wade in *The New York Times*, "but still get to your destination late," if the plane doesn't take off on schedule. "Departure" simply means that the plane has rolled away from the gate; as seasoned travelers know only too well, it can sit for hours on the tarmac before takeoff. Passengers can tilt the odds in their favor by leaving when the airport is least busy. Usually this means the early-morning hours. An exception is New York's Kennedy International Airport, where the hour from 6 to 7 A.M. is the busiest because flights are arriving from overseas.

Alcohol-related traffic deaths dropped last year by 10 percent — the largest one-year drop ever recorded — from 22,083 in 1990 to 19,900 in 1991. But, *The Washington Post* notes, drunken driving remains the most frequently committed violent crime in the United States, and highway crashes remain the No. 1 killer of Americans aged 5 to 43.

For all the Washington insiders who were hoping to find their names in the index and so turned gingerly to the back of "What It Takes: The Way to the White House," surprise! Richard Ben Cramer's new book (*Random House, \$28*), about the 1988 presidential campaign, has no index. The author told *The New York Times* that for years he had watched the Washington elite go into bookstores, "take a political book off the shelf, look up their names, glance at the page and put the book back. Washington reads by index, and I wanted those people to read the damn thing."

Arthur Higbee

Cheney Does About-Face On Osprey

WASHINGTON — Yielding to political pressure, Defense Secretary Dick Cheney has reversed his decision to kill one of the Pentagon's most expensive new weapon systems.

The decision to devote \$1.5 billion toward development of the V-22 Osprey, a tilt-rotor aircraft that takes off like a helicopter and flies like a plane, is both a substantive and symbolic retreat by Mr. Cheney from Pentagon budget-trimming plans that Congress has strenuously resisted.

Congress has been of two minds on military spending. While wanting to cut the Pentagon budget so that money could be diverted to domestic programs, many lawmakers have been reluctant to make deep cuts in military spending during an election year, worried that it would hurt Pentagon contractors and increase unemployment in their districts.

In addition, the Osprey figures in the presidential campaign, and the Mr. Cheney's decision could well help the re-election prospects of President George Bush, particularly in Texas and Pennsylvania, two states with a large number of electoral votes where the plane is being developed. The Osprey is being developed by Bell Helicopter Textron, in Fort Worth, Texas, and Boeing Helicopters, in Delaware County, Pennsylvania, just outside Philadelphia.

The companies developing the Osprey had cut back manufacturing plans during the stalemate between the Pentagon and the Congress over the V-22 program, according to press reports. Several hundred workers were reported to be currently assigned to the program, but a decision to go into production would create thousands of jobs and encourage the development of the plane for commercial transportation purposes, creating still more employment.

Mayors Deride Urban Aid Bill

WASHINGTON — The nation's mayors reacted with disappointment and derision to an urban aid package passed by the House in response to the Los Angeles riots.

The municipal officials said the measure was far too limited to answer the serious needs of the cities. The House approved by a 356-105 vote Thursday a five-year, \$5 billion package that would create 30-called enterprise zones, mainly in poor inner-city neighborhoods.

It was part of a major tax bill that would provide \$14.5 billion worth of tax relief, primarily for business, and repeal the luxury tax on boats, airplanes, jewelry and furs. It also contains a "Taxpayers' Bill of Rights" and would provide a long-sought tax break for real estate developers.

The bill now goes to the Senate, where its backers expect changes that could increase the amount of spending and revise some of the tax proposals before it is sent to the Senate floor later this month.

"I think we should really not call it an urban aid package, it's not worthy of the name," said J. Thomas Cochran, executive director of the U.S. Conference of Mayors.

U.S. Tells Lawyer To Stop Working For Haiti Regime

WASHINGTON — The United States is ordering a prominent Washington lawyer to stop representing Haiti's provincial government, saying his involvement violates the economic embargo against that country.

A senior Treasury Department official has told Robert McCandless in a letter that providing services to Haiti's army-backed regime "would be contrary to the foreign policy interests of the United States."

"You are hereby ordered to cease and desist from performing any contract for such prohibited services," wrote R. Richard Newcomb, director of Treasury's Office of Foreign Assets Control. Mr. Newcomb said willful violation of the order could result in a criminal fine of up to \$250,000 per violation, 10 years imprisonment or both.

Mr. McCandless said he had strong doubts about whether the order was constitutional. He said he may bring a legal challenge.

Several urban policy experts agreed that the legislation was unlikely to make a significant impact on urban problems, or to help poor city residents.

(WP, LAT)

Progress Slow In U.K.-China Airport Talks

BEIJING — Chinese and British officials made no immediate progress in their first day of talks in Beijing on a dispute over financing Hong Kong's multimillion dollar airport project, diplomats said.

Sir John Coles, emissary for Prime Minister John Major, led the British team at the talks, which were set up by Mr. Major and Prime Minister Li Peng of China when they met at the Earth Summit in Brazil last month.

"We share your commitment to the stability and prosperity of Hong Kong," Sir John told Vice Foreign Minister Jiang Enzhu and a negotiating team led by Chen Ziyang, deputy director of China's Office for Hong Kong and Macao Affairs.

Mr. Jiang told Sir John that relations with Britain were generally good. Neither he nor Sir John alluded to the airport as a major irritant in China-British ties.

OSLO — Arne Treholt, 49, the former Norwegian diplomat who had been sentenced to 20 years in prison for spying on behalf of the Soviet Union and Iraq, was paroled Friday after serving eight and a half years.

—MICHAEL R. GORDON

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INTERNATIONAL Herald Tribune

No Money to Govern

The U.S. budget deficit is taking away the ability to govern. The latest examples were to be seen Thursday. The Labor Department reported that the unemployment rate rose to 7.8 percent last month. That is the highest since the early 1980s and up 0.6 percent since spring. The recession may indeed be over as some economists say, but those same economists were saying a year and a half ago that it would be short and mild.

includes a modest structural reform — in future periods of high unemployment and for the rest of this period, extended benefits will "trigger on" faster. To pay the cost, it includes tax increases in the form of speed-ups and extension of a provision that would otherwise expire. Because of the structural changes and the tax increases, the president had earlier threatened a veto. The rise in the unemployment rate wiped the threat away.

Abortion in Germany

The German vote to change the national abortion law gives the surface impression of a degree of convergence with the U.S. Supreme Court action on abortion. Vastly different forces, though, have been at work. In the American case the movement is toward greater restriction and in the German context toward what both sides consider a middle ground — away both from the former East German law permitting unrestricted abortion and from a West German law that was considered one of Europe's most restrictive.

for legal gap between the halves of the country — another step in the hard process of reconciling complex cultural and social discontinuities. The two-year pitched battle between East and West Germany on abortion had an unexpectedly decisive conclusion, but it followed long and heated debate and strong church opposition.

Humanity for Haitians

In its relentless campaign to keep Haitian refugees out, the Bush administration betrays America's best traditions and twists the meaning of international legal commitments. To their great credit, principled members of the House have contested the administration's policies every step of the way. But their legislative efforts have been stymied, not just by White House resistance, but by a surprising lack of support from the Democratic leadership.

requiring fair hearings for Haitians already in U.S. jurisdiction. And it reversed a longstanding American interpretation of the Refugee Convention as prohibiting forcible return to dangerous situations.

Other Comment

Trade: Doing the Sums For the first time in many years, more capital is flowing into the Americas for new investment than is flowing out as flight capital. In nearly every nation in the Americas, real growth has returned, often after a very difficult decade. Barriers to trade and investment are coming down, and one of the most exciting regions for world growth and investment is Latin America, an increasingly important market for U.S. exports.

first and third leading trade partners. In fact, America has already benefited from the trade liberalizations carried out by Mexico. Mexico is the fastest growing market for American exports today. Over the last five years, since Mexico began opening its market and joined the GATT, American exports to Mexico have increased from \$12.4 billion to \$33.3 billion.

In De Klerk, Signs of the Gorbachev Flaw

By Anthony Lewis

JOHANNESBURG — When President Frederick de Klerk made his dramatic move to release Nelson Mandela and lift political bans, on Feb. 2, 1990, he seemed to have come to a crucial understanding: that the 15 percent of South Africans who are white can no longer govern the country.

That happened. Some speak of a new "arrogance" in President de Klerk. Why? Euphoria from the referendum is one explanation offered. Another is that Mr. de Klerk had had great success abroad, persuading the United States, the European Community and others to relax sanctions on the ground that apartheid was buried — though in fact the core of the apartheid system, the denial of the vote to the overwhelming black majority, remains unchanged.

At the turning point in Mr. de Klerk's position came at a surprising moment. It was the referendum among white voters in March on whether to go on with the process of political reform. A resounding 69 percent said yes. The logic of that great victory for Mr. de Klerk seemed to be that it freed him from concern about white ultra-rightists and allowed him to move quickly for an agreement with the African National Congress.

Moreover, the ANC had been weakened by the terrible violence visited on black communities — that made the ANC's constituency more distrustful of its leadership and of the whole negotiation. Elements in the government may have orchestrated the violence, but that is a subject for another day.

To the contrary, the referendum victory emboldened him to take a tougher, less flexible position in the negotiations. Everyone I have met here, regardless of his or her politics, says

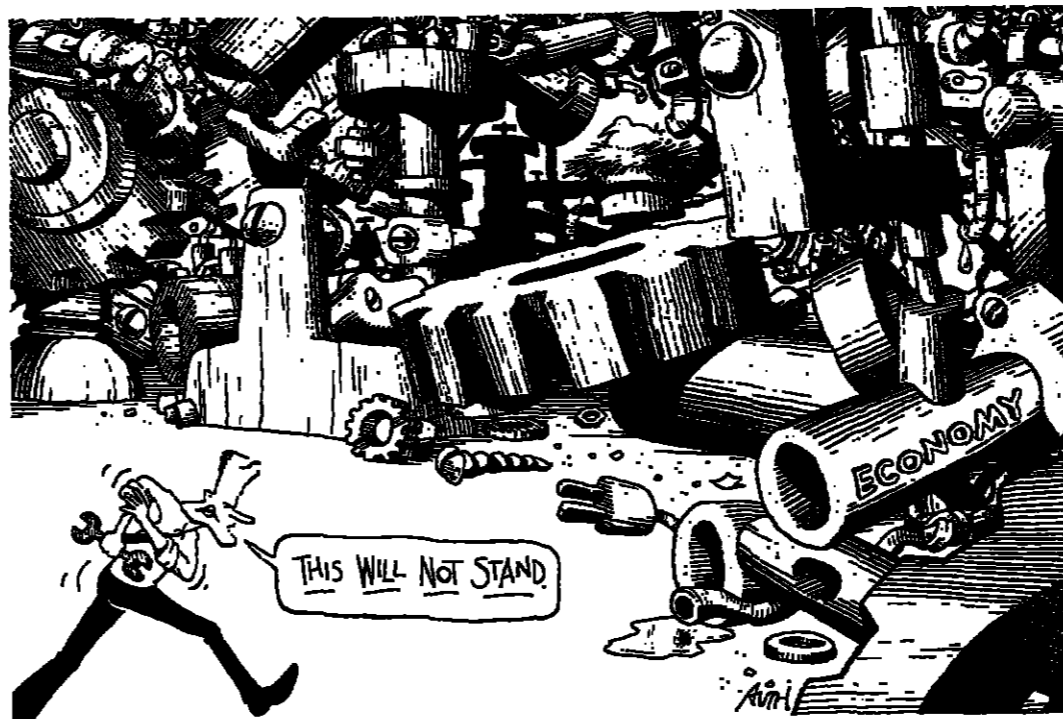
The interim government would stay until an elected constituent assembly wrote a new constitution. But Mr. de Klerk insisted that key constitutional provisions be approved by 75 percent of the assembly. If there was no agreement on that basis, the interim regime — the status quo — could go on forever.

There is no Boris Yeltsin here, no visible substitute for Mr. de Klerk among white politicians. The only hope, then, is that he will find it in him to help bring about the genuine transition for which the country is aching. Safety for the minority? Yes. An attempt to maintain control? Disaster for all.

Even Business Now Sees Bush in 'Never-Never Land'

By Hobart Rowen

WASHINGTON — President George Bush is losing support in his principal constituency, the business community. Sharper and more pointed criticism from corporate executives is emerging as unemployment surges. In June, the jobless rate shot up to 7.8 percent, the highest in eight years, while payrolls dropped 117,000 jobs, reversing the trend of the prior four months.



means that none of the American Business Conference executives surveyed believes the administration "has its hand on the tiller and knows where we're going." He added: "Our members don't see programs being put in place that face the country's real problems. The kind of businesspeople I work for want to see concrete policy-making. We don't see that."

Meanwhile, The Conference Board, a highly regarded business research group in New York, reported last week that more than three of four business executives polled say business conditions are bad.

The State of Anti-Americanism: Opposing Trends

By Paul Hollander

AMHERST, Massachusetts — After 32 years in the United States I am still not certain what precisely it means to be an American and what are the truly distinctive qualities of American society and culture.

patterns to food and what I regarded as Midwestern provincialism. I found friendships shallow, the level of education low, students ignorant, advertising vulgar and omnipresent.

The United States has been a good place for most of those who have come voluntarily. They have gained all imaginable and historically known freedoms and opportunities to experiment with their lives and seek the realization of their ideals.

With the demise of the Soviet Union, only the United States remains to attract the hostility reserved for great powers.

anti-Americanism, which I define as an attitude similar to racism, anti-Semitism or sexism. With the demise of the Soviet Union only the United States remains to attract the hostility reserved for great powers. On the other hand, U.S. involvement in world affairs is likely to diminish, which could make America less of a target of global frustrations and resentments.

And yet some of the discontents expressed were genuine. Social problems, especially those connected with race, still seem to resist solutions. Inequalities are rampant, the environment insufficiently protected.

PARIS — The glorious Fourth was well, if not boisterously, celebrated here. The avenue de l'Opera was the most decorated with the Stars and Stripes. But the rue de la Paix and the central boulevards were in no way behind in the American national colors, which everywhere floated in union with the French tricolor.

1892: A Glorious Fourth

PARIS — The glorious Fourth was well, if not boisterously, celebrated here. The avenue de l'Opera was the most decorated with the Stars and Stripes. But the rue de la Paix and the central boulevards were in no way behind in the American national colors, which everywhere floated in union with the French tricolor.

1917: German Lucidity

PARIS — The Herald says in an editorial: Most Germans are shortsighted, but all are not blind. There are some who see the handwriting on the wall and read its meaning. Maximilian Harden, for instance, refuses to follow blindfold the Kaiser and the Prussian militarist oligarchy and is warning his countrymen of the catastrophe that is foreshadowed in Amer-

That'll Be Fudge for All Seven?

By Jim Hoagland

WASHINGTON — Fudge is the main dish on the Munich economic summit menu. The leaders of the world's seven largest industrial democracies and Boris Yeltsin of Russia must act in Bavaria next week as if they were in command of a global economy that is wheezing along its own erratic path.

The summit, staged in two acts without intermission, will enter history as the "As If Summit." In Act One, America and its main trading partners must act "As If" a new era of harmony were dawning for these seven wealthy nations. They will fudge over their trade and political disputes and seek common ground wherever it can be found.

After a period of tactical retreat, Mr. Yeltsin goes to Munich ready to push forward on the painful changes needed to replace communism with free markets. He will push forward unreservedly — up to a point.

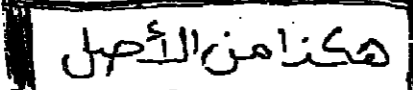
The West will in return provide \$4 billion to \$5 billion through the International Monetary Fund and World Bank for the rest of 1992, doing it out in slices rather than putting it all up front as Mr. Gaidar had hoped.

The IMF and Moscow have been unable to agree on how Russia's government would control its budget deficit and on how the Russian central bank would control money supply in a ruble zone covering other former Soviet republics. Normally the IMF would not go ahead with an agreement in these circumstances. But Bush and Friends have decided that a few billion dollars that buys "Mr. Yeltsin political time is a good investment. Decisions on the central bank's authority, the budget deficit and the timing of a ruble stabilization fund will be put off while the IMF opens a trickle of new money into Russia.

1942: Red Army Retreat

MOSCOW — [From our New York edition:] Stubbornly fighting Russian soldiers have been forced back to new positions in one sector on the Kursk front, the Russians announced today [July 5], but their Red Army comrades are fiercely engaging Axis tanks and infantry in other areas of the Ukrainian battlefield. The Russian command did not disclose where the Russians fell back. In its report on the Kursk fighting, which entered its seventh day today, the Soviet Information Bureau said that Soviet soldiers "carried out a fierce battle against tanks and enemy infantry" as the Germans sought to advance eastward.

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ECONOMIC SCENE

Need Zionism Continue To Embrace Socialism?

By Peter Passell, New York Times Service. ISRAEL'S Labor Party surprised the experts by trouncing the ruling Likud coalition in last week's elections...

Those who expected a new Singapore were disappointed. Israel's economic productivity is its military prowess. This is the best chance in years to reform the economy...

Braniff Sinks for 3d Time

Airline Grounded By U.S. Fare Wars

Compiled by Our Staff From Dispatches GRAPEVINE, Texas — Braniff International Airlines was grounded on Friday for the third time in 10 years...

G-7 Uneasy on Bush Plan to Admit Russia

LONDON — Japan, Germany and Britain reacted coolly on Friday to a surprise suggestion from President George Bush that he was prepared to discuss the entry of Russia into the Group of Seven leading industrial nations...

The Japanese government did not expect this.

Nobuo Ishihara, deputy chief cabinet secretary. Reforms, but making it clear that the help being offered is conditional on those reforms...

This official predicted that the meetings would recapture a more informal atmosphere this year because Chancellor Helmut Kohl of Germany had slimmed down the agenda...

Mr. Gorbachev's fall from power only weeks after he met with Western leaders convinced some nations that the G-7 plus 1 formula used in London had been correct...

WHILE LIKUD partisans can point to some victories in lowering tariffs and deregulating markets, the temptation to win new friends by protecting old securities proved irresistible...

Why is the new old gang likely to make a difference? For one thing, the prime minister-designate, Yitzhak Rabin, has pledged to slow Jewish settlements in the occupied territories...

KLM denied it was in talks with Lufthansa. Page 8.

lines and matched by other carriers, could drive other weak airlines out of business. Some ticket prices have been slashed by as much as 50 percent...

Founded in Oklahoma City in 1928, Braniff grew into a giant airline by the late 1970s. But it was one of the biggest to fall when deregulation spurred intense fare competition during the early 1980s...

In 1989, Braniff again ended up in bankruptcy court and was purchased by Jeffrey Chodoroff and Arthur Cohen...

Weak Quarter for Stock Mutual Funds

The Best and Worst of the Quarter

By Seth Faison Jr., New York Times Service. NEW YORK — Some stock-picking investors may have enjoyed watching the Dow Jones industrial average repeatedly climb to new highs...

Table with 4 columns: Fund Name, Percent Change, Fund Name, Percent Change. Lists best and worst performing funds in the second quarter.

The Dollar Chalks Up A Modest Recovery

Bloomberg Business News. LONDON — The dollar rose 1 pfening in Europe on Friday, recovering some of Thursday's losses...

Some analysts said the dollar may stay above 1.5 Deutsche marks and 1.24 yen if the Group of Seven industrial nations fail to call for further yen strength at their summit meeting in Munich...

CURRENCY RATES

Table of currency rates for various countries including Australia, Brazil, Canada, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, New Zealand, Singapore, Taiwan, Thailand, UK, and US.

INTEREST RATES

Table of interest rates for Eurocurrency deposits and key money rates for various currencies and terms.

China's North Is Cold to Overhaul of Economy

Communist Paper Warns Deng's Foes

By Lena H. Sun, Washington Post Service. SHENYANG, China — In this grimy northeastern city stands the world's largest statue of Mao Zedong, a symbol of the decaying state-run factories that reign supreme here...

BEIJING — Leading officials who oppose economic reform in China could face the Communist Party to lose power, the party's official People's Daily newspaper said on Friday.

In one of its sharpest attacks on party conservatives yet, the newspaper said communists who failed to promote market-oriented economic change were a danger to the party's future.

COLLOQUIUM ON THE EUROPEAN COMMUNITY IN 1992

July 8-10, Centre Borochette, BRUSSELS. Speakers: high officials of the EC, leading academic practitioners, subjects: European Union - Internal Market, External Policies - Competition Policy, Economic and Monetary Union - EC-145 Partnership.

Key Money Rates

Table of key money rates for US, UK, and other currencies across various terms and rates.

Thomson Discusses LTV Move With Northrop

Compiled by Our Staff From Dispatches PARIS — Thomson-CSF said Friday that it was discussing an approach with Northrop Corp. to buying LTV Corp.'s missile division...

GOLD

Table of gold prices for various locations including Hong Kong, London, Zurich, and New York.

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Investment and Environmental Bills Cloud Dutch Rail Link Into Ruhr

By Barbara Smit
Special to the Herald Tribune
AMSTERDAM — Dutch government plans to build a rail connection between Rotterdam and the German hinterland have failed to attract investors amid uncertainties about the \$3.1 billion cost estimate and mounting local opposition.

'If it doesn't happen, Rotterdam will lose some of its importance.'

A reading on the mood of investors and the level of environmental opposition is considered vital in the coming six months, says the Dutch Parliament has scheduled the project for consideration in early 1993.
'If it doesn't happen and the government does not increase the capacity of the roads, the Rotterdam port will lose some of its importance as congestion encourages shipping companies to turn to other European ports like Hamburg and Antwerp,' warned a transport analyst, Andre Mulder, at Barclays de Zoete Wedd.

The Dutch government could hardly afford that, since the port generates about 10 percent of the Dutch GDP, he added.

KLM Denies EC Gets Honda Motor To Alter Distribution

AFP-Extel News
BRUSSELS — The EC Commission said Friday that Honda Motor Co. had changed the way it sells motorcycles in the EC market after the commission challenged exclusive distribution networks under EC anti-trust rules.

ASKO Shares Plummet After It Omits Dividend

FRANKFURT — Shares in the German retailer ASKO Deutsche Kaufhaus AG plunged on Friday after news it was skipping a dividend after swinging into a loss in 1991.
But analysts welcomed ASKO's determination to restore investor confidence by its announcement of plans to sell off non-core subsidiaries and to seek stock-market listings for almost half the shares in key divisions.

CHINA: North Is Cold to Change

(Continued from first finance page)
official with Shenyang's Economic Planning Commission.
Nevertheless, city officials say they plan to improve efficiency by laying off surplus labor for the first time this year. The plan is to use the excess labor to develop the services sector by providing jobs in beauty salons, restaurants and small stores.

Investor's Europe

Table showing stock indices for Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, and other European markets with columns for Index, Friday Close, and % Change.

EUROPEAN FUTURES

Table of European futures markets including Food, Metals, and Industrials with columns for High, Low, Close, and Change.

Stock Indexes

Table of stock indexes for FTSE 100, DAX, CAC 40, and others with columns for High, Low, Close, and Change.

World Stock Markets

Table of world stock markets for Amsterdam, Brussels, Frankfurt, London, and other cities with columns for Close Prev. and % Change.

ZIONISM: Time for Free Market?

(Continued from first finance page)
employment has eroded union power.
In the end, the Labor Party's greatest asset may prove to be its pragmatism. Unlike the last government, this one will not be obsessed with the vision of a Greater Israel and will thus not be inclined to pay a heavy economic price for ideological support from fringe parties.

Very briefly:

- Carrefour SA said its consolidated sales totaled 10.08 billion French francs (\$1.9 billion) in the 12 months ended June 30, up 24 percent from the like period a year earlier; sales rose 32 percent to 6.97 billion francs.

Hungary to Link Pipelines to West

BUDAPEST — The Hungarian government has decided to link the country's natural-gas pipelines to those of Western Europe in an effort to ensure continuous supply and to eliminate Hungary's dependence on Russia for imports, a government spokesman said Friday.

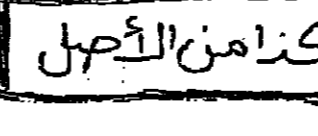
Urban Underworld Wilson McBeath

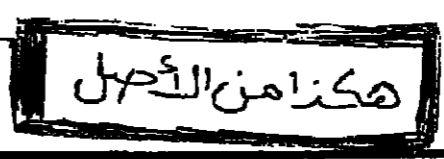
Crossword puzzle grid with clues for Across and Down words.

Dividends

Table of dividends for various companies including Amstel, Heineken, and others with columns for Company, Dividend, and Yield.

Additional crossword puzzle clues and solutions.





China Firm Looks Outward From Beijing to Hong Kong and Beyond

HONG KONG — China Merchants Holdings Co. of Beijing aims to use Hong Kong as a springboard for becoming a powerful multinational group, a senior company official said Friday.

China Merchants, typical of a breed of newly aggressive Chinese enterprises, wants to learn from Hong Kong as it galvanizes its management for expansion into Southeast Asia, Europe and China, director R.Y. Wang said.

A CMH unit this week became the first Beijing-owned company to seek a direct listing on Hong Kong's stock market.

Mr. Wang said in an interview that about 10 of the Hong Kong-based concerns's 64 other local subsidiaries were possible candidates for listing, while CMH also planned to expand its banking network in Asia and its insurance business in Europe.

Liquidity is only a secondary reason for listing CMH units as it takes advantage of new freedoms allowed by China's latest reform drive, which began early this year. The main aim is to improve management by converting subsidiaries into public companies, Mr. Wang said.

"Before we were a bit conservative. But now the open-door policy is under way, so we should try our best to go further into Hong Kong and international markets," he said.

"I think it's a healthy move for us these days to follow Hong Kong market practices closely and increase our own transparency," Mr. Wang added.

Founded in 1872 as a shipping company in Shanghai, China Merchants moved to Hong Kong and began to diversify in the late 1970s as the Chinese leader, Deng Xiaoping, came to power and launched an economic overhaul.

China, where the company has 300 subsidiaries,

Nissan Says It's Seeking Quality Edge

TOKYO — Nissan Motor Co., facing uncertain worldwide demand, a labor shortage and pressure to cut working hours, is ensuring an era in which quality counts more than quantity, its new president said Friday.

"Although there are some signs of recovery in U.S. demand, the situation in Europe is far from clear and domestic growth will be flat at best," Yoshifumi Tsuji said at a news conference.

"Considering this and other issues facing the car industry, we should put more stress on the quality rather than the quantity of the cars we sell," he said.

Mr. Tsuji was elected president June 26. He succeeded Yutaka Kume, who became chairman.

Apart from unpredictable demand, Japan's car industry also faces environmental demands, a strong yen, labor shortage and pressure to cut working hours, Mr. Tsuji said.

The company plans to boost overseas car output, although the increase is likely to be a slight one.

Nissan will use the launch of three new car models in the United States this year to strengthen sales there, since prospects in the U.S. market are better than before, Mr. Tsuji said.

In the global market, Nissan has its eye on Eastern Europe and China as potentially colossal markets, although it has not yet mapped out specific plans for business.

Ex-Soviets Deal Nissan plans to set up a network to directly sell its cars in the former Soviet Union. Agence France-Press quoted a company spokeswoman as saying:

Nissan will be the first Japanese automaker to start direct sales in the former Soviet republics, the spokeswoman said.

Two new sales firms will be established next month in Tallinn, the capital of Estonia, and Kiev, the capital of Ukraine, she said.

Beginning Sept. 1, Nissan plans to sell cars and vans, to be imported from European plants, through sales outlets the new companies would establish, the spokeswoman said.

Matsushita Debt Rating Downgraded by S & P

Compiled by Our Staff From Dispatches TOKYO — Matsushita Electric Industrial Co.'s senior long-term debt has been downgraded and removed from CreditWatch, the U.S.-based Standard & Poor's Corp. rating agency said Friday.

The senior debt ratings of MCA Funding Corp., Panasonic Capital Corp. and Panasonic Finance (Netherlands) NV were also lowered, the agency said.

S & P's Japanese unit said the Matsushita downgrade reflected pressure on profits arising from competition in the consumer-products market, increased reliance on debt financing and the questionable quality of various loans.

The downgrade, announced just before Matsushita's launch of a proposed \$1 billion bond issue, takes senior debt from Triple A to Double A-Plus. Matsushita is at the head of the Matsushita group, among the world's largest diversified consumer-electronics and entertainment conglomerates.

"Earnings are expected to remain under pressure for the foreseeable future, despite the prospect of gradually improving economic conditions in Japan and abroad," S & P said. It added that Matsushita's capital structure was still strong, but increased debt — partly due to last year's \$6.6 billion purchase of the Hollywood entertainment giant MCA Inc. — had changed its financial profile.

"The continued weak state of the Japanese equity market is expected to prevent Matsushita from lessening its increased reliance on debt financing," the agency said.

"Competition in consumer products has intensified, resulting in excess capacity, price discounting, and increased selling costs," S & P said.

At the same time, S & P said it would keep the Double A-minus long-term rating and A-1-plus short-term rating of a Matsushita subsidiary, Victor Co. of Japan Ltd., on CreditWatch with negative implications. (AFP, Bloomberg)

Warning on Japan's EC Investments

TOKYO — The imbalance between Japanese investment in Europe and European investment in Japan is so great that it runs the risk of becoming a political issue, the European Business Community Council said Friday.

Japan has invested 30 times more in the European Community during the past eight years, the report said. EC companies represent 0.1 percent of direct investment in Japan, while the Japanese stake in Europe has reached about 5 percent and could rise to 15 percent.

The council is an umbrella group for European chambers of commerce in Japan. Its report said European companies were confronted with a series of obstacles including high land prices, stiff taxes, problems in employing qualified Japanese personnel and extreme difficulty in acquiring Japanese firms. These obstacles were in stark contrast to the climate, Japanese investors found in Europe, the report concluded.

Eva Airways' Vietnam Flights Barred

TAIPEI — Plans by Eva Airways to fly to Vietnam were blocked Friday by the Taiwan government, a spokesman for the airline said.

Eva Airways, a unit of Taiwan's Evergreen shipping conglomerate, planned to operate regular service between Taiwan and Vietnam beginning next month after securing agreements with authorities in Hanoi, airline officials said. But the Ministry of Transportation and Communications ruled that no airlines could fly from Taiwan to Vietnam before the island's flag carrier, China Airlines, resumes flights there.

Investor's Asia

Table with columns for Exchange, Index, Friday Close, Prev. Close, % Change. Rows include Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, etc.

Very briefly:

- Taiwan will apply to join the General Agreement on Tariffs and Trade under the name China-Taipei in a concession to Beijing to improve its chance of being admitted, officials said, forsaking the title Customs Territory of Taiwan, Penghu, Kinmen and Matsu.
Sumitomo Corp. has set up a unit in Tokyo to sell U.S. and European, computer-related equipment, the Nihon Keizai newspaper said.
Ajinomoto Co., Japan's largest integrated food processor, said it would complete by fall construction of an amino-acid production facility in Belgium with an investment of about 700 million yen (\$5.6 million).
Nippon Chemi-con Corp., Japan's largest maker of aluminum electrolytic capacitors, has bought a U.S. capacitor plant from Sprague Technologies Inc. for about \$16 million.
South Korea's Office of Bank Supervision has given approval to Bank of China to open a liaison office in Seoul, officials of the office said.
Japanese mini-vehicle sales fell in the first half, marking the first year-on-year drop since 1989, the Japan Mini Vehicles Association said; registrations in January-June were 877,721 units, down 9.3 percent from the like 1991 period.
Hong Kong officials said they had received a firm bid to build and operate a third road tunnel under Hong Kong Harbor, from a group led by Cross Harbour Tunnel Co. and China International Trust & Investment, Hong Kong (Holdings) Ltd.
Taiwan Aerospace Corp.'s president, Dengyong Ko, flatly rejected a new report that a link-up with McDonnell Douglas Corp. was being abandoned, though he said the original agreement, under which the Taiwan company would buy 40 percent of the U.S. concern's commercial-aircraft business for \$2 billion, was unlikely to be completed.

China and Taiwan Plan Bicycle Venture

TAIPEI — Giant Manufacturing Co. of Taiwan, one of the world's biggest bicycle makers, said Friday it planned to form a joint venture in Shanghai with a leading Chinese bicycle producer.

Giant has signed an initial agreement with Shanghai Bicycle Factory, which makes the Phoenix brand, to establish the joint venture in October, a company spokesman said.

"Giant has a global sales network and Phoenix is the major bicycle brand in China, so I am sure the combination will be successful," said Giant's chairman, King Liu. Giant will be the first Taiwan bicycle maker to invest in China, he said.

ADVERTISMENT INTERNATIONAL FUNDS

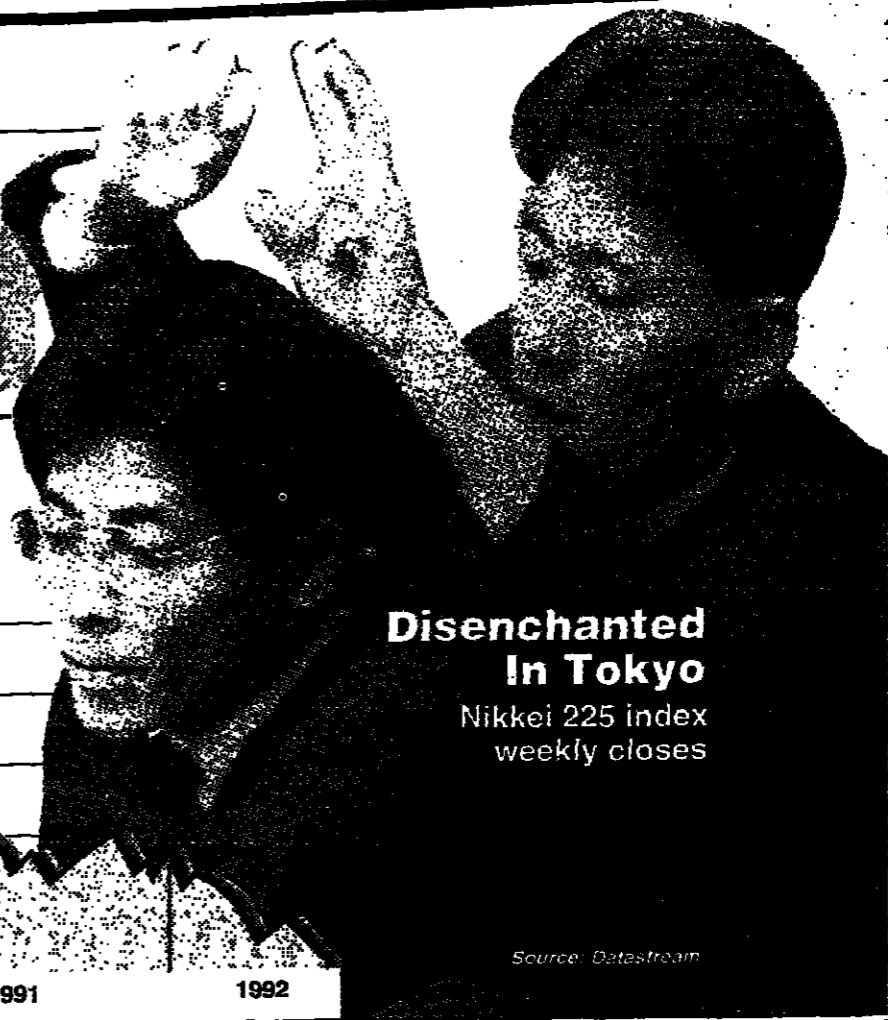
Large table listing various international funds with columns for fund names, currency, and other details.

Large table listing various international funds with columns for fund names, currency, and other details.

Saturday-Sunday,
July 4-5, 1992
Page 10

Herald Tribune

THE MONEY REPORT



**Disenchanted
In Tokyo**
Nikkei 225 index
weekly closes

FIRST COLUMN

Market Can Bulldoze EC Directive

ANYONE who has seen policemen trying to direct traffic in Rome or Paris will understand the concept of apparent authority: You have all the trappings — the uniform, the whistle, the dinky little gun — but no real power. You can only conclude that those who have been creating the furor over this week's draft Investment Services Directive on the conduct of securities business, adopted by European Community governments, have never been to Paris or Rome. Otherwise, why make such a fuss?

The EC governments agreed that they would each have the right to insist that individual investors, as opposed to institutions, only do business on regulated markets. At first sight this seems both unremarkable and sensible. However, a considerable number of sophisticated, wealthy individuals like to participate directly in the Eurobond market — often in tranches of \$250,000 a time. Unfortunately, the Eurobond market is a securities arena that is not regulated. Instead of the stiff formal requirements of disclosure with "transparent" (a word much loved by regulators) dealing procedures, business is done on the basis of the market's perception of key factors: The creditworthiness of the company seeking cash, the line-up of the professional advisers. It is a sophisticated game played largely by instinct and feel.

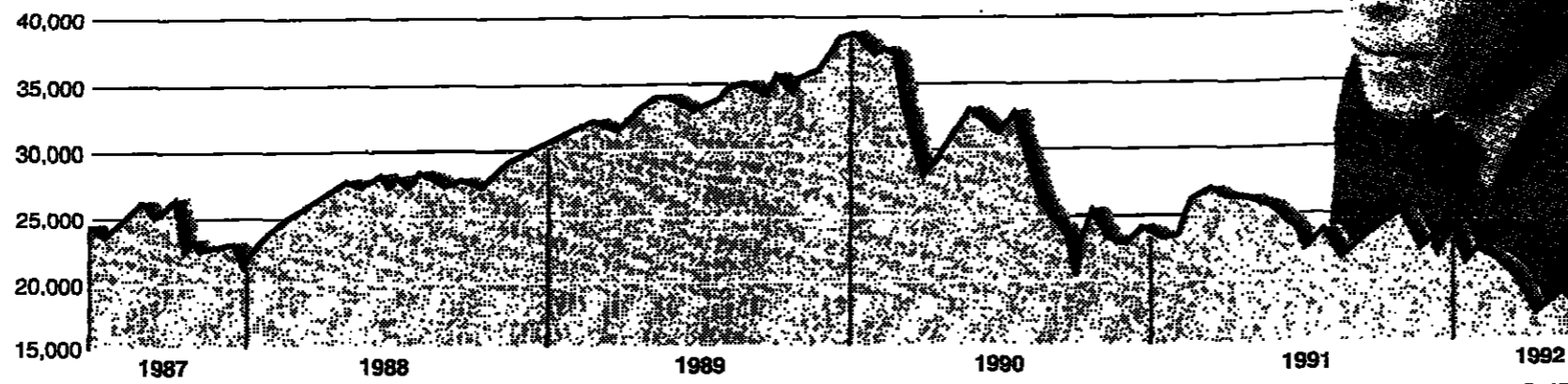
Sometimes, however, instinct and feel are enough. The fact that regulators feel uncomfortable ought not to matter. The individuals playing the market are all adults. Rolls-Royce drivers who hardly need a traffic policeman to direct them.

There are two further principal points to make. First, the directive is laughably easy to circumnavigate. Anyone with the money and sophistication to deal in Eurobonds will hardly find it difficult to set up an offshore company, or otherwise participate as an institutional investor.

Second, is a more fundamental point about the nature of regulation. If you believe in a free and efficacious market, surely that market will regulate itself? The bad bargains and the sponsors of fraudulent deals will be found out by the market. Won't they?

M.B.

Burned Japanese Shy of Stocks



By Steven Brill

THE individual investor in Japanese stocks used to have it easy. Experience had shown that he — and more recently she — could simply entrust a broker with a wad of money and sit back for the long haul. Stocks had been on a long upward incline since the end of World War II, providing big capital gains that more than offset paltry dividends.

Experience had also taught Japanese investors that even when the market traversed a rough spot, it would always rebound after cuts in the official discount rate. Government efforts to prop up the market actually worked. And even in the worst possible scenario, the index would never lose more than half its value.

Yet over the past two and one half years, as the market has suffered its worst postwar decline, these tenets have been torn apart. And the activity and sentiment of individual investors have sunk to new lows.

"Individuals feel they've been double-crossed so many times," said the head of a mid-size brokerage firm's branch in the busy Shinjuku district of Tokyo. "Their minds are ice. It's about as bad as it can get."

After a remarkable run-up spurred by the asset-price spiral of the late 1980s, the economic bubble burst, sending the market into steady descent. It closed Friday at 16,717.78, 57.04 percent off its peak of 38,915.87, which was hit on Dec. 29, 1989.

Dealers were blaming the latest decline, which came after the index had risen 35.53 points by the end of Friday morning's trades, on last-minute profit-taking. The early rise was just too much to resist after

Thursday's gain of 432.65 points, or 2.65 percent.

Although the U.S. discount rate cut encouraged some buying interest, there was massive institutional selling, as dealers spotted price advantages between cash values and futures contracts on many securities. Some profit-takers were funds, but many individuals with direct stakes in the market would once again have lost out.

During the decline, many individuals continued to buy into the market, hopeful that a series of four discount rate cuts as well as government attempts to shore up the market would turn it around. They did not.

The confidence of individual investors was further undermined by revelations that big brokers had been compensating their major clients for losses and collaborating with gangsters, while doing little for small investors except to churn their accounts.

Brokers reckon that since their peak of activity in the late 1980s, about 70 percent of individual Japanese investors have liquidated their stock portfolios. The rest are either die-hard long-term investors, or semiprofessionals active in futures contracts and other derivatives.

Their withdrawal has dealt a blow to Japan's brokerage industry, both in terms of assets under management and commission revenues, said Linda Daquil, an analyst at UBS Philips & Drew in Tokyo. Three of the Big Four brokers and nine of 10 second-tier firms posted net losses in the financial year that ended March 31. Local newspaper reports speculated that in the first quarter of this financial year all 14 of these houses were in the red.

Individuals once accounted for more than half the market's turnover, but in the past few years their share has slipped. Still, the

business of individual investors is key, representing about one-third of commissions at the Big Four and 90 percent at smaller houses.

In a sense, individual investors have grown in importance. Even though their activity has slowed, their weight has grown larger because institutional investment dried up even faster. Average volume on the bourse has slipped from a high of 1.1 billion shares in 1988 to about 200 million recently.

Individuals also hold a key to a full-fledged recovery of the market, Ms. Daquil said. But coaxing them back will require new laws and tougher policing to prevent recurrences of stock scandals. "There's been a loss of confidence in the market and the system," she said.

In the meantime, Japanese brokers are trying to direct individuals into money management funds that invest mainly in short-

term bonds. The most popular type in Japan, a one-month maturity fund offering a 4.7 percent interest rate, has attracted 2.5 trillion yen (\$19.9 billion) in deposits since becoming available in May.

"The strategy is to boost the number of accounts and value of funds being managed, and then to shift customers into the stock market when it shows signs of recovery," said the director of a suburban Tokyo branch of a second-tier Japanese brokerage.

With the Tokyo market renewing six-year lows, the return of individual investors in force could be a long way off.

Stocks fell to 10.9 percent of household investment portfolios in the 1991 calendar year, according to data provided by the Management and Coordination Agency. In the peak year of 1989, equities accounted for 17.8 percent. An additional 1.6 percent last

year was invested in equity mutual funds, down from 3.4 percent in 1989.

The data indicate that investors have been fleeing the securities markets. Securities made up just one-fifth of household savings last year, down from 28.6 percent in 1989.

Much of the small investors' money has been channeled into deposit accounts, which accounted for 52 percent of the average household savings of 11.3 million yen last year, up from 44.9 percent in 1989. Only 2.4 percent was held in bonds last year, down from 2.9 percent in 1989, while bond funds accounted for an additional 1.1 percent in each year.

Insurance in 1991 accounted for about a quarter of household savings, roughly the same proportion as in each of the three preceding years.

BRIEFCASE

DB Launches Mutual Funds For OECD and Lira Bonds

DB Investment Management, the Luxembourg-based mutual fund arm of Deutsche Bank, is launching two funds.

The R&S Garant fund invests in top-quality debt: Bonds issued or backed by national governments, or bonds guaranteed by countries in the Organization for Economic Cooperation and Development, regional authorities of those countries or international organizations involving at least one OECD country.

Denominated in Deutsche marks, the fund's principal virtue, claims DB Investment Management, is its combination of good yields with security of investing in government or government-backed bonds.

The firm is offering investors a guaranteed performance over 18 months of 12.6 percent, an annualized rate of 8.25 percent. The yields benefit from Luxembourg tax law which does not require withholding tax to be levied.

When U.S. Congress Is Out, Securities Markets Are In

With the American presidential election a few months away, researchers, analysts and the press have been scouring the annals to ferret out patterns in stock and bond prices caused by, or at least correlated with, the campaign or the party that takes power after the election season mercifully reaches its end.

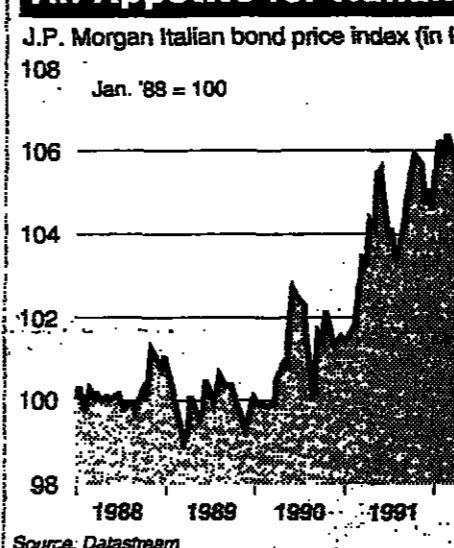
The so-called election-year cycle, in which share prices rise on average into November of each campaign, has been widely discussed. A study by one large brokerage house has noted that over the last several decades, bondholders have earned much higher returns when a Republican was in the White House, while the inhabitant of the Oval Office was not as important for stockholders.

A twist on election year punditry comes from Eric Singer, an investment banker at Gerald, Klauer, Mattison & Co. in New York. A study by Mr. Singer of stock market returns since World War II, quoted in the newsletter Market Logic, found that the market rose at the pathetic annual rate of 0.7 percent when both houses of Congress were in session, which is about two-thirds of every year.

The rest of the time, according to the study, stocks rose at an annual rate of 12.7 percent, or more than 18 times as much.

Norman Fosback, editor of Market Logic, said: "Put another way, nearly all of the market's price return in the half-century since World War II has been recorded while senators and [representatives] were away from Washington. Now, if we could get the White House out of session, too..."

An Appetite for Italian



J.P. Morgan Italian bond price index (in lire).
Jan. '88 = 100

The Comex Takes a Shine To Contracts on Platinum

The Commodity Exchange Inc. has applied to futures industry regulators to trade a new futures contract in platinum. The contract will add to the Comex portfolio of gold and silver contracts.

Although individual investors rarely participate directly in such contracts, the expansion of the futures industry helps to stimulate the derivatives fund industry — a key and growing area of individual investment.

"We believe that platinum has a tremendous future," said Donna Redel, the Comex chairman. "Domestic volume is likely to increase substantially."

One Reason for the Dearth Of Danish Tennis Greats

What price dinner? According to the international division of the management consultants Runzheimer, a Wisconsin-based firm specializing in employee relocation policies and practices, a business dinner costs an average of \$60.76 per person in Tokyo. Of 15 international cities compared, Tokyo was the most expensive to eat in, while Caracas, Venezuela, was the cheapest, at \$14.31.

Runzheimer has priced a variety of common business travel goods and services, ranging from lodging and laundry to tennis balls and a six-pack of beer. Tennis balls in Copenhagen, incidentally, are more than 50 percent more expensive, at \$14.96 for three, than anywhere else surveyed. Maybe that explains the lack of great Danish tennis players. Los Angeles was the city offering the best bargain on this item, and was generally less expensive than its European and Asian counterparts.

Hotel accommodation was particularly expensive in Europe with London, Paris, Rome, Copenhagen, Frankfurt and Barcelona all costing more than an average of \$220 per night.

"Check the foreign-exchange rates before you travel," was the advice of Neil B. Krupp,

Runzheimer vice president. "Fluctuations can make a big difference in your purchasing power."

Names Face Scant Gains From Changes at Lloyd's

Is it too much, too late? This week's report recommending that the regulation of the Lloyd's of London be separated from the daily administration of the insurance market will do little to allay the financial problems of the thousands of individuals — known as Names — who have taken financial beatings after a series of underwriting losses.

Lloyd's has always regulated its own affairs, and for the past decade has been subject to a special act of Parliament that codifies the regulation of its business. Steps are now being taken that could lead to Lloyd's becoming part of the wider system of regulation in Britain.

Meanwhile, several thousand Names face severe financial troubles, and many allege that incompetence and lack of good faith on behalf of some Lloyd's market operators.

Wary Small Investors Avoid Early Eastern Temptations

Small investors with wise heads will have kept their money in the bank rather than rush into eastern Europe following the euphoria at the demise of Communism. The small investor typically does best not at ground floor level, but a little later, when political risk is less, and the economies have settled down — mezzanine level, or maybe later.

Investment professionals said they expected a number of mutual funds investing in Eastern Europe to be launched in the latter half of next year.

Events this week, with a new rate fixed for the Russian ruble against western currencies, and the establishment of something close to a bona fide foreign exchange in Budapest, indicate that some of these markets are coming closer to maturity. Hungarian banks, for example, can now do the sophisticated swap deals at which some of their western cousins are so expert.

American Exchange Adds Index for Drug Companies

The universe of indexes and options has grown a little bigger. The American Stock Exchange has launched put and call options on its Pharmaceutical Index.

The index is a market of leading pharmaceutical stocks, comprising 15 of the leading corporations in the sector in the United States and Europe. The companies making up the index engage in a range of activities, from production and manufacture of medicines, to the marketing and prescription of over-the-counter drugs and medical equipment. The stocks are highly liquid, and have a total market capitalization of approximately \$335 billion.

The new contracts join seven other sets of index options offered by the American Stock Exchange. Five indexes are benchmarks of market performance, ranging from mid-size

Markets Suffer June Swoon

It has been a month of big losers and small winners among the world's leading markets, according to recently published figures from Morgan Stanley Capital International.

Only France and Britain managed to avoid having at least one company stock that plummeted by 40 percent during the month of June. And the British equipment, drugs and horticultural company Fisons only just missed that dubious honor, falling 39.4 percent in local currency terms on the month.

Lack of confidence in the Japanese real estate market was the backdrop to a calamitous 40 percent fall from Misawa Homes on the Tokyo exchange, while the financially

squeezed computer industry in the United States saw several casualties over the month. Notable among them were Advanced Micro Devices, which lost 44 percent, Apple Computer, down 19.7 percent, and Computer Sciences, which was 17.6 percent worse.

The U.S. market produced the best gains in local currency terms. General Motors and Chrysler added 21.1 percent and 16.6 percent, respectively, on the month. Steel enjoyed a warm upgrade in market sentiment too. Both USX-US Steel Group and Inland Steel Industries gained around 15 percent.

In other markets it was difficult to find gains of more than 10 percent, though Midland Bank in Britain just beat that mark, and Germany's Porsche added 18.5 percent.

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THE MONEY REPORT

Stock Scams With an International Twist

By Michael D. McNickle

SECURITIES fraud has grown into a \$40 billion-a-year business in the United States, regulators say, and observers warn that the industry is looking abroad for new markets to incorporate into its schemes and lure investors to fish.

American scandals often center around low-priced, or penny, stocks sold through what are called boiler-room operations. These are offices filled with salespeople using banks of telephones to call lists of prospective investors, who are subjected to high-pressure pitches for investments that are at best speculative, at worst fraudulent.

In the year that ended July 1991, Americans were defrauded of at least \$40 billion, state regulators said, and they indicated the level would be about the same this year. Responding to this problem, the federal Securities and Exchange Commission brought 115 legal and administrative actions to combat penny-stock fraud in calendar 1991, up from 43 three years earlier. Penny-stock scams involve just part of the \$40 billion problem.

The intensified U.S. regulatory action has driven steady stock promoters overseas, to Europe, Asia and Central America, where securities authorities often have less clout than the powerful and well-staffed SEC. Germany, for example, has no national equivalent to the SEC. Japan, now arguably the world's premier financial marketplace, had less than 150 employees in its national securities regulatory agency in 1990, compared with 2,100 at the SEC, according to the North American Securities Administrators Association.

M. Douglas Mays, past president of the North American securities regulators group and former securities commissioner of Kansas, said, "The purveyors of fraud, the people who run boiler rooms, no matter where they are, always look for a 'gimmick or twist' to capture the imagination of their victims."

Today, the gimmick is increasingly fraud with an international twist. Sarah Ackerson, chief of the U.S. Securities and Exchange Commission's penny-stock task force, said, "It's going to be the latest deal wherever you think the action is going to be, an Eastern bloc country or something that's happening overseas that you are reading about elsewhere in the headlines. What the investor forgets is that con artists are reading the headlines too."



Illustration by IHT

another nation to an investor in a third, it is often unclear which government would handle the case.

In Europe, Amsterdam was considered to be the continent's "stock fraud capital" in the 1980s, the U.S. state securities regulators said in a report to Congress. "Since then, few European nations have escaped major fraud cases, which had included the Swiss/French/German 'Kettler Affair,' involving \$80 million to \$150 million in losses in U.S. penny stocks," the report said, referring to Kettler Investment AG.

Scott Stapf, an investment education adviser for the North American securities regulators who prepared the report to Congress on international investment fraud, cited the case of Meyer Blinder. Mr. Blinder once headed the firm of Blinder, Robinson & Co., which had been considered the largest brokerage for penny stocks in the United States.

Mr. Stapf said the firm faced "very severe regulatory challenges both at the federal and state level." After Blinder, Robinson declared bankruptcy in the United States, Mr. Stapf said, Mr. Blinder went international. It is now based in Hong Kong, where, Mr. Stapf said, regulators are concerned Mr. Blinder would be promoting penny-stock schemes "into the United States and elsewhere." Mr. Blinder has indicated he intends to do just that, Mr. Stapf added.

Who falls victim to these kinds of frauds? Most anyone, Joseph O. Mani, assistant director of the SEC's International Affairs Office, said

"even sophisticated investors can be victimized by schemes like this."

The scams are not limited to penny stocks. Other approaches include simple schemes such as selling unregistered securities or canceled bonds. These can be peddled to unwary individuals in second countries or posted as collateral for loans, Mr. Mani said.

He pointed out that a small hole in the corner of a bond can mean that the security has been canceled. But who would know that, other than a specialist?

Mr. Mays said the rapid change in Eastern Europe provided a window of opportunity for this kind of international fraud. "Since we've seen the downfall of communism and the opening up of other markets to free trade and investment, I think that is a twist that fraudulent boiler room operators would use."

But, he said, the catch is that "unless you are buying an investment of this type from a reputable broker that you know, with a company you know, you can kiss your money goodbye. It's going to go through some offshore bank, get laundered through Panama, and wind up in the crooks' hands."

Expatriate Americans are targeted for several reasons, said Wayne Klein, chief of the Idaho Securities Bureau, who has tracked international investment frauds for years.

Mr. Klein said the average American expatriate is an "extremely good businessman," well-educated and well-traveled. After a while, there is a tendency for such executives to believe that because of their professional successes "their fingers are magic, and anything they touch works well, and sometimes they let their guard down."

How can investors recognize the warning signs of fraud? Len Howes, a private investigator in New York and a former SEC examiner, said the classic boiler-room

sales pitch will have an urgency to the tone "which seems to run counter to making a considered business decision." Because "pie-in-the-sky" promises from high-pressure salesmen should set off an immediate alarm to the investor, Mr. Howes said, sophisticated con artists sometimes take the reverse tactic. "They make it appear that you may not be eligible for this opportunity. In other words, they make you work for it."

Two more frauds to which expatriates are susceptible are the advance-fee scheme and investment capital fraud. In the latter, a person with a substantial portfolio is recruited to invest in an "ongoing business" or a "start-up." It can be anything from a nonexistent oil well to a depleted mine, or any business for that matter. Typically, in this fraud, the alleged business will be a few thousand miles away from the investor, so information on the investment is usually second-hand and supplied by the con artist. Sometimes it takes years for the victims to realize they have been ripped off.

In the advance-fee scheme, Mr. Howes said, the investor pays an initial "processing fee" of, for example, \$20,000, in order to secure a \$1 million loan, which then fails to materialize. Crooks involved in such deals will often work hard to create an illusion of wealth. The scam may progress in a setting where the criminal "pulls up in a chauffeur-driven limousine," Mr. Howes said. "Maybe the deals were actually consummated in a presidential palace in the Caribbean. What the party who was taken there didn't realize, was that anyone could rent that palace."

Mr. Howes said almost all of these frauds can be avoided by aggressively questioning the person making the pitch, and by starting with the basics: What is the correct name of the caller? The firm's address? Is it registered? How long has it been at the current address and how long has it been in business. Then, Mr. Howes said, check with people who know about this particular investment and see if the pitch makes sense. Finally, "independently verify what the sales person is telling you through the public resources" available from regulatory bodies.

When investors are making inquiries to determine if a company and salesperson are registered, they should also specifically ask regulatory authorities whether there is any record of fraud or disciplinary problems. If you do not ask, nine times out of 10 nobody will tell you.

Mr. Klein said the average American expatriate is an "extremely good businessman," well-educated and well-traveled. After a while, there is a tendency for such executives to believe that because of their professional successes "their fingers are magic, and anything they touch works well, and sometimes they let their guard down."

How can investors recognize the warning signs of fraud? Len Howes, a private investigator in New York and a former SEC examiner, said the classic boiler-room

Checking Up

Contacts for information on public companies, registered penny stocks, background information and disciplinary history on securities, commodities and futures brokers, and other licensed investment professionals and investment firms.

U.S. Securities and Exchange Commission Public Reference Branch. Tel.: (202) 727-7450.

National Association of Securities Dealers Public Disclosure. Tel.: (301) 590-6500.

National Futures Association. Disciplinary Information Access Line (DIAL). Tel.: (312) 781-1410.

Small Investors Embrace Fading Stocks

DESPITE Thursday's half-point discount rate cut by the U.S. Federal Reserve Board, to 3 percent — the lowest rate for almost 30 years — the U.S. stock market has had a lackluster 1992. True, the Dow Jones industrial average nudged its way up from 2,800 to 2,850, but performance has generally failed to live up to the high expectations had at the beginning of the year. In the first half of 1992, the Dow gained 4.9 percent, or 149.69 points.

But recent sluggish performance and continued fears over the non-appearance of a sharp recovery in the U.S. economy did not bother small investors too much. Only toward the end of the first half of the year have they begun to finally slow their headlong rush into stock mutual funds.

Several fund groups said that June had been the worst month of the year in terms of drawing cash into stock funds. Fidelity Investments, the largest of the fund groups, reported seeing a significant reduction in investor demand in the last week.

During the first five months of 1992, a total of \$34.7 billion poured into stock funds, nearly matching 1991's record annual total of \$38.4 billion, according to figures released by the Investment Company Institute.

The December rally proved short-lived; most major stock averages have lost ground in 1992. But the cash flows did not slacken until recent weeks, as short-term interest rates continued to slide.

That slide in rates has also prompted many investors to move cash into bond funds, a flow that has continued. In May, \$8 billion came into bond funds, up from \$7.3 billion in April, and many fund groups said flows persisted in June.

ONE of the key questions in the light of the discount rate cut and the consequent long-term low in interest rates centers on the bond area.

Much of the demand in bond funds has been for funds that provide relatively good yields at little principal risk. Both T. Rowe Price and the TNE Fund Group, a subsidiary of The New England, said adjustable-rate mortgage funds were among their best sellers.

Among stock funds, the biggest falloff in investor interest has been in aggressive growth funds, particularly those devoted to small stocks, which have generally performed poorly this year.

At Janus Group, "we had a small outflow of cash from the Janus

Venture Fund" in June, said Chris Snyder, a spokeswoman.

Over all, aggressive growth funds had a net cash inflow of \$951 million in May, the highest for any month this year. The cash-flow figures include new sales minus redemptions, as well as cash moved between funds in the same fund group. But they exclude reinvested dividends.

With interest rates now so low, bond income naturally looks attractive, but investors must ask themselves whether rates will rise again on a recovery. If so, the purchase price of bonds will fall.

Despite warning investor interest, the aggressive growth funds have lots of money to invest, reflecting the reluctance of money managers to invest the cash available. (IHT, NTT)

Table with columns: COMPANY, End of financial year, Earnings per share, Last month's est., % change, Last month's closing price, Current price, % change, P/E (est.), No. of analysts' est. used. Lists various Canadian companies like NEWBRIDGE NETWORKS, CANWEST GLOBAL C, etc.

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SPORTS

Krabbe To Skip Olympics

BERLIN—The German sprinter Karin Krabbe has decided not to compete in the Barcelona Olympics...

The Rainy Curse Again Falls (and Falls) on Wimbledon

McEnroe Has Been There, But Can That Beat the Kid?

By Ian Thomsen
WIMBLEDON, England — John McEnroe is 11 years older than his semifinal opponent Andre Agassi...



Umpires sing in the rain and dancing the conga on Court 1 Friday as fans waited out the weather. But play was put off until Saturday.

With Andre it's the same thing. He's going to be very honored to play me, but if by some chance I win, he won't be so happy.

Maybe a couple of years ago I would have lost. It's really tough to know how you're going to react in certain situations, but I felt like, all in all, I've reacted really well.

Men's Semis Washed Out

WIMBLEDON, England — Wimbledon was hit Friday by its frequent curse: rain. A steady drizzle washed out the men's semifinals...

SIDELINES

Tour de France Vehicle Is Bombed

SAN SEBASTIAN, Spain (AP) — A grenade-like device hurled by a young sympathizer of the Basque separatist group ETA destroyed two vehicles Friday...

South Africa Rugby Teams Defy ANC

JOHANNESBURG (Reuters) — South African rugby players will not wear pro-democracy and peace stickers when teams from two of the country's top unions meet...

Berlin to Apologize to IOC Over Files

BERLIN (Reuters) — Berlin's troubled bid to stage the Olympic Games in the year 2000 suffered a new blow on Friday when the city said it would have to make an embarrassing apology to members of the International Olympic Committee...

Corsica Stadium Is Put Up for Sale

PARIS (Reuters) — The Corsican stadium in which 15 fans died in a soccer disaster in May is on sale for 1 million francs (\$200,000), a spokesman for the Bastia football club said on Friday.

For the Record

Kim Christofte, a defensive midfielder who helped Denmark win soccer's European Championship last week, on Friday signed a two-year contract with the German first-division soccer club Cologne.

In Asia, NBA Gears Up With a Full-Court Press

The Chicago Bulls are a hit in Beijing. Just ask anyone who was born in the year of the ox. In a Japan crazy about American sports from the 1950s, it's the Utah Jazz...

SCOREBOARD

BASEBALL

Table with columns for Major League Standings, American League, and National League, showing wins, losses, and percentages for various teams.

Thursday's Line Scores

Table showing line scores for baseball games on Thursday, including teams like Cincinnati, Atlanta, and San Diego.

Japanese Baseball

Table showing Japanese Baseball Central League standings with columns for team, wins, losses, and percentage.

BASKETBALL

Olympic Qualifying Games

Table showing Olympic Qualifying Games results for various countries, including Puerto Rico, Venezuela, and Canada.

TRANSACTIONS

AL—Reduced suspension of Neal Heath. Kansas City pitcher from 1 to 4 games. CHICAGO—Activated Don Pustus, outfielder...

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DAVE BARRY The All-Star Band

MIAMI — Recently I played lead guitar in a rock band, and the rhythm guitarist was — not that I wish to drop names — Stephen King. This actually happened. It was the idea of a woman named Kathi Goldmark, who formed a band consisting mostly of writers to raise money for literacy by putting on a concert at the American Booksellers Association convention in Anaheim, California.

Terry McMillan: 'Say That Again, Sister'

By Esther B. Fein New York Times Service

WASHINGTON — Terry McMillan says that when she enters a lecture hall or a bookstore these days, she feels like a preacher at a revival meeting. The faithful start lining up hours before she is scheduled to read from her new novel, "Waiting to Exhale" (Viking), clutching copies of the book and reading or reciting passages as if they were the Psalms.



Terry McMillan talks with fans on a Washington radio talk show.

Millan depicts in the book. The paperback rights have been sold for \$2.64 million. McMillan's previous novel, "Mama" (Houghton Mifflin, 1987) and "Disappearing Acts" (Viking, 1989) — were well received, and so was an anthology of contemporary black fiction she edited for Viking and Penguin, "Breaking Ice" (1990). But nothing like this.

know why Miss McMillan felt she had to portray black women speaking such vulgarities," she said. "But the truth is, if you eavesdrop on people's conversations, we abuse language. We don't always speak correctly, and we often use words that we wouldn't want our children to use. And, girl, this book isn't about how we would like to see life. It's about how life really is."

PEOPLE Red Square Goes Arty, Opening Weeklong Fete

Moscow's Red Square is jostling its military parades this year and will instead host a weeklong international cultural festival, "Red Square welcomes you," opening Saturday. About 90,000 Russians and 5,000 foreigners are expected to watch performances by the tenor Jose Carreras and the Bolshoi ballerina Maya Plisetskaya, among others.

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